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ABSTRACT

Cost accounting principles and procedures provide students with sufficient background to apply cost accounting factors to service and manufacturing businesses. Overhead, materials, goods in process, and finished goods are emphasized. Students complete a practice set in the course, which has guidelines, performance objectives, learning activities (including a case study, videotape lessons on bookkeeping, and business vocabulary), evaluative instruments, and resources for students and teachers. Ten of the 21 pages are devoted to appendixes pertaining to setting up a combination journal, opening a cost sheet, closing a manufacturing account, and preparing a cost statement. Keys are provided. (NH)

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AUTHORIZED COURSE OF INSTRUCTION FOR THE QUINMESTER PROGRAM

COST ACCOUNTING

Business Education—7709.41 (New: 7624.41)

CE 001 878

DADE COUNTY PUBLIC SCHOOLS

DIVISION OF INSTRUCTION • 1971

ED 095324

COST ACCOUNTING

7709.41 (New: 7624.41)

Business Education

Written by Mariano G. Carino
And Approved by the Business Education Steering Committee
For Quinmester Courses

for the

DIVISION OF INSTRUCTION
Dade County Public Schools
Miami, FL 33132
1972

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I. COURSE TITLE—COST ACCOUNTING

II. COURSE NUMBER—7709.41 (New: 7624.41)

III. COURSE DESCRIPTION

A. Synopsis

Provides students with an understanding of cost accounting principles and procedures and sufficient background for applying factors of cost accounting to service and manufacturing businesses. Emphasis on overhead, materials, goods in process, and finished goods. Students complete a practice set for a manufacturing or similar business.

B. Occupational Relationships

Price Clerk	Account-Information Clerk
Audit Clerk	Classification-Control Clerk
Bookkeeper I	Cost-and-Sales-Record Supervisor
Bookkeeper II	Control Clerk-Data Processing I
Billing Control Clerk	Control Clerk Auditing
Stock-Control Clerk	Materials-Control Clerk
Fixed-Capital Clerk	Cost Accountant

IV. COURSE ENROLLMENT GUIDELINES

A. Prior Experiences Needed

1. The student should have attained the objectives of Control Systems In Accounting prior to enrollment in this course.
2. The student may wish to take Corporation Accounting concurrently with Cost Accounting.

B. Pretest

Successful completion of the pretest indicates that the student should proceed to another advanced bookkeeping and accounting course. Partial failure indicates placement within this course.

V. COURSE OF STUDY PERFORMANCE OBJECTIVES

Upon successful completion of this course, the student will be able to—

1. record materials requisitions in a materials ledger;
2. prepare and complete a job order sheet or cost sheet;
3. demonstrate an understanding of the three elements of manufacturing cost by classifying in writing which items are direct materials (raw materials), direct labor and factory overhead;
4. journalize in the general journal and post the closing entries of given manufacturing cost accounts;
5. calculate factory overhead based on direct labor;

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V. COURSE OF STUDY PERFORMANCE OBJECTIVES, Continued

6. record in the general journal the factory overapplied or underapplied overhead;

7. record in the general journal adjusting entries to the inventory accounts in the event there is a significant difference between the book inventory and the physical inventory;

8. prepare the financial statements for a manufacturing business including a statement of cost of goods manufactured, an income statement, and a balance sheet;

9. record daily transactions for service and manufacturing businesses into appropriate books of original entry; and

10. complete a practice set for a manufacturing or similar business applying cost accounting principles.

VI. COURSE CONTENT

A. Equipment and Supplies
   1. Basic
      a. Desk 20" x 40" minimum, table top
      b. Machines
         (1) Ten-key adding machine
         (2) Full keyboard adding machine
         (3) Printing and/or electronic calculator
         (4) Bookkeeping machine
      c. Conference table 30" x 60" x 20" high
      d. Bookkeeping terminology dictionary
      e. Accounting paper
      f. Textbook
      g. Workbook
      h. Pencil, pen, and ruler (supplied by student)
      i. Overhead projector with roller attachment and screen
      j. Opaque projector
   2. Supplementary
      a. Videotape recorder or playback unit
      b. Videotape recorder table with electrical outlets
      c. Video monitor, 23" with connecting cables
      d. Listening station, with eight head sets
      e. Videotaped lessons—Bookkeeping I (review)
      f. Learning activity packages—Bookkeeping I (review)
      g. Bookkeeping wall charts

B. Cost Accounting for a Service Department
   1. Three elements of cost
      a. Labor
      b. Materials
      c. Overhead
   2. Job order sheet
      a. Recorded in duplicate

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VI. COURSE CONTENT, Continued

(1) Original to bookkeeper
(2) Duplicate to mechanic
b. Record parts and accessories (materials)
c. Record time (labor)
d. Complete job order sheet (bookkeeper)
e. Cashier paid for the work completed, and the duplicate bill (for customer) marked paid by the cashier

3. Transactions of a job service business in the combination journal
4. Schedule of gross profit by departments
5. Income statement
6. Balance sheet

C. Cost Accounting for a Manufacturing Business

1. Three elements of manufacturing cost
   a. Direct materials or raw materials
   b. Direct labor
   c. Factory overhead or overhead cost
2. Perpetual inventory record
   a. Materials ledger accounts
   b. Materials requisition
3. Goods in process (inventory)
   Prepare the cost sheet
   a. Direct materials
   b. Direct labor
   c. Factory overhead
4. Finished goods (inventory)
   a. Stock room
   b. Completed cost sheet
   c. Finished goods ledger
5. Fiscal period work for a manufacturing business
   a. Closing the ledger
      (1) Summarize the direct materials used during the period and close into the goods in process account
      (2) Summarize the direct labor incurred for the period and close into the goods in process account
      (3) Transfer the actual overhead expenses to the factory overhead account
         (a) Record the overhead applied
         (b) Record overapplied or underapplied overhead
         (c) Close the factory overhead account
      (4) Record the costs of finished goods manufactured
   b. Statement of cost of goods manufactured
   c. Income statement
   d. Balance sheet

VII. SUGGESTED PROCEDURES, STRATEGIES, AND LEARNING ACTIVITIES

A. Suggested Teaching Methods

The methods that seem best suited for this course are small and large group discussions, supervised or independent study, video-

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VII. SUGGESTED PROCEDURES, STRATEGIES, AND LEARNING ACTIVITIES, Continued

taped presentations, individualized instructions, lecturers, projects, case study, and problem solving.

B. Business Vocabulary
Students increase their accounting terminology as it relates to a special system of keeping records.

C. Case Study
Students analyze business problems based on their knowledge of accounting principles and managerial theories.

D. Videotaped Lessons—Bookkeeping I
Students are encouraged to view any taped lesson for reinforcement purposes.

E. Learning Activity Packages—Bookkeeping I
The LAP's parallel the videotaped lessons. They provide activities that might strengthen the students' weaknesses.

F. Study Guides
Study guides may be used as a self evaluative instrument, part of a pretest, quiz, or study sheet.

G. Supervised Study
This time allotment permits the students to work in groups and/or independently under the teacher's supervision. The teacher may also simulate an accounting department wherein the students are responsible for a particular phase of the accounting system.

VIII. EVALUATIVE INSTRUMENTS

The tests included in the appendix are examples of test items that may be used to evaluate the overall progress of each student. The tests have been designed to measure the course objectives as outlined. The key to each test is also provided. The evaluative items included in these tests are as follows:

A. Boat Sales and Services Transactions	To determine if the students know the procedures of recording business transactions of a service business
B. Cost Sheet	To determine if the students can prepare a cost sheet in accounting for the materials, labor and factory overhead that goes into each order
C. Journalize the Entries	To measure the students' ability to close the manufacturing accounts at the end of the fiscal period

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VIII. EVALUATIVE INSTRUMENTS, Continued

D. Statement of Cost of Goods Manufactured	To determine the students' ability to prepare one of the important financial statements of cost accounting

IX. RESOURCES FOR STUDENTS

A. Books

Blanford, James T.; Clow, Cletus A.; Freeman, M. Herbert; Hanna, J. Marshall; Kahn, Gilbert; and MacDonald, Robert D. Gregg Accounting, Advanced Course, 2nd ed. New York: Gregg Division of McGraw-Hill Book Co., 1969.

Boynton, Lewis D.; Carlson, Paul A.; Forkner, Hamden L.; and Swanson, Robert M. 20th Century Bookkeeping and Accounting, Advanced Course, 22nd ed. Cincinnati: South-Western Publishing Company, 1968.

Freeman, Herbert M.; Hanna, Marshall J.; and Kahn, Gilbert. Bookkeeping and Accounting Simplified, Advanced Course. New York: Gregg Division of McGraw-Hill Book Company, 1958.

B. Workbooks

Accompanying workbooks are available for the texts listed above from the publishers.

C. Media

Learning Activity Packages - Available through Textbook Services, 2210 S.W. Third Street, Miami, Florida 33135. #11A-LP-19— Financial Reports for a Merchandising Business.

Videotaped Presentations - Available from the Department of Media Services, Dade County Public Schools.

D. Practice Sets

Reed Auto Supplies, Inc., B873, Cincinnati: South-Western Publishing Company.

Jansen Auto Supplies Co., Inc., B773, Cincinnati: South-Western Publishing Company.

X. RESOURCES FOR TEACHERS

A. Books

Alston, Wayne A. Successful Devices in Teaching Bookkeeping. Portland, Maine: J. Weston Walch, Publisher, 1955.

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X. RESOURCES FOR TEACHERS, Continued

A. Books, Continued

Boynton, L. D. Accounting—Study and Teaching, 2nd ed. Cincinnati: South-Western Publishing Company, 1970.

Fess, Philip E., and Niswonger, C. Rollin. Accounting Principles, 9th ed. Cincinnati: South-Western Publishing Company, 1965.

Finney, H. A. and Miller, H. E. Principles of Financial Accounting—A Conceptual Approach. Englewood Cliffs: Prentice-Hall, 1968.

Karrenbrock, Wilbert E., and Simons, Harry. Advanced Accounting Comprehensive Volume, 3rd ed. Cincinnati: South-Western Publishing Company, 1961.

B. Teacher Manuals and Solution Keys

Available from the publishers of the students text.

C. Magazines and/or Periodicals

Balance Sheet, The. Cincinnati: South-Western Publishing Company. Monthly, October through May.

Business Education Forum. Washington, D. C.: National Business Education Association. Monthly, October through May.

Business Education World. Hightstown: Gregg Division of McGraw-Hill Book Company. Five publishings each school year.

Journal of Business Education. East Stroudsburg, PA: Robert Trethaway. Monthly, October through May.

National Business Education Quarterly. Washington, D. C.: National Business Education Association. Quarterly.

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APPENDIX

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BOAT SALES AND SERVICES TRANSACTIONS

Directions: 1. Use the following columnar headings in setting up your combination journal: Cash—Dr. and Cr., Check No., Day, Name of Account, Post Reference, General—Dr. and Cr., Accounts Receivable—Dr. and Cr., Accounts Payable—Dr. and Cr., Purchases Dr.—New Boats, Used Boats, Parts and Accessory, Sales Cr.—New Boats, Used Boats, Service, Parts + Acc.

2. Record in a combination journal the following transactions selected from those completed by D and C Marina during the first week of June of the current year.

June 1. Cash balance on hand, $21,500.

1. Purchased 8 new outboard motor boats from Sharks Boat Company, $12,000, on account.

1. Sold Used Boat #70 to D. Wagner for cash, $1,200.

1. Cash receipts for the day in the service department were $620, distributed as follows: Sales-Parts and Accessories $250, Sales-Service $370.

2. Purchased parts from Marina Supply Company, on account, $650.

2. Sold New Boat #12, to H. Wilkerson for $3,500. Received $2,000 cash and a used boat appraised at $1,500.

2. Cash receipts for the day in the service department were $450 distributed as follows: Sales-Parts and Accessories $100, Sales-Service $350.

3. Sold Used Boat #71 to P. Johnson for $1,400. Received $1,000 cash. The balance is to be paid in 30 days.

3. Cash receipts for the day in the service department were $276 distributed as follows: Sales-Parts and Accessories $200, Sales-Service $76.

4. Received cash from A. Smith on account, $150.

4. Bought used boat for cash, $750. Issued Check No. 872.

4. Cash receipts for the day in the service department were $520 distributed as follows: Sales-Parts and Accessories $220, Sales-Service $300.

5. Paid cash $13,000 to Shark Boat Company on account. Issued Check No. 873.

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BOAT SALES AND SERVICES TRANSACTIONS, Continued

June 5. Sold New Boat #13, $3,500 to R. Harris. Received $1,200 in cash, and a used boat appraised at $500. The balance is to be paid in 30 days.

5. Cash receipts for the day in the service department were $1,500, distributed as follows: Sales-Parts and Accessories $400, Sales-Service $1,100.

6. Issued Check No. 874 for $2,020 in payment of weekly payroll.

Labor Cost	$900	
Sales Salary Expense	800	
Office Salary Expense	300	
Administrative Salary Expense	500	
Total Payroll		$2,500
Deductions:		
Employees FICA Tax	$130	
Employees Income Tax	350	
Total Deductions		480
Net Payroll		$2,020

Directions: 3. Foot and prove the combination journal.

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COST SHEET

On February 11, the Marina Boat Company began work on Job Order No. 150 which was an order for 15 outboard motors for stock to be completed by March 10.

Directions: 1. Open a cost sheet similar to the one in your textbook.

2. Record the following transactions on the cost sheet.

Feb. 11. Requisition No. 187 for direct materials, $350.

11. Daily time cards as follows: No. 1 for $20; No. 5 for $30.

12. Requisition No. 232 for direct materials, $420.

12. Daily time cards as follows: No. 3 for $30; No. 10 for $35.

13. Requisition No. 235 for direct materials, $630.

13. Daily time cards as follows: No. 2 for $25; No. 11 for $45.

Directions: 3. Complete the cost sheet, recording factory overhead at the rate of 50% of direct labor cost.

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JOURNALIZING THE ENTRIES THAT SUMMARIZE THE COST RECORDS (EOM)

On January 31 of the current year, the bookkeeper for the Jade Company has the following information:

(a) The total of all requisitions of direct materials issued during the month is $55,250.

(b) The total of the direct labor cost for the month according to the time cards is $45,550.

(c) The accounts in the general ledger used in recording the actual factory overhead expense during the month have the following balances:

Depreciation Expense, Building	$ 500
Depreciation Expense, Factory Equipment	2500
Factory Supplies Expense	3550
Heat, Light and Power	1500
Indirect Labor	18000
Insurance Expense, Factory	400
Miscellaneous Manufacturing Expense	3250
Payroll Tax Expense, Factory	2575
Property Tax Expense, Factory	1600

(d) The factory overhead to be charged to Goods in Process is 75% of the direct labor cost.

(e) The total of all cost sheets completed during the month is $150,500.

Directions: Record in the general journal the entries necessary in closing out the manufacturing accounts in the general ledger.

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STATEMENT OF COST OF GOODS MANUFACTURED

Directions: Prepare a statement of goods manufactured for the Jade Company for the month ended January 31 of the current year. Use the data given in the previous problem and the following additional data:

Direct Materials Inventory, January 1	$60,500
Direct Materials Purchased	51,420
Direct Materials Inventory, January 31	58,750
Goods in Process Inventory, January 1	41,000
Goods in Process Inventory, January 31	45,275

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BOAT SALES AND SERVICES TRANSACTIONS KEY

Combination Journal

Cash Dr.	Cash Cr.	Ck. No.	Day	Name of Account	P R	General Dr.	General Cr.	
			1	Balance on hand $21,500				1.
			1	Shark Boat Company				2.
1,200			1	D. Wagner Used Boat #70				3.
620			1					4.
			2	Marina Supply Company				5.
2,000			2	R. Wilkerson New Boat #12				6.
450			2					7.
1,000			3	P. Johnson Used Boat #71				8.
276			3					9.
150			4	A. Smith				10.
	750	872	4					11.
520			4					12.
	13,000	873	5	Shark Boat Company				13.
1,200			5	R. Harris New Boat #13				14.
1,500			5					15.
	2,020	874	6	Labor Cost		900		16.
				Sales Salary Expense		800		17.
				Office Salary Expense		300		18.
				Administrative Expense		500		19.
				FICA Tax Payable			130	20.
				Employees Income Tax Payable			350	21.
8,916	15,770			Totals		2,500	480	22.

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BOAT SALES AND SERVICES TRANSACTIONS KEY

For the Month of June 19—

Accounts Receivable Dr.	Accounts Receivable Cr.	Accounts Payable Dr.	Accounts Payable Cr.	Purchases Dr. New Boat	Purchases Dr. Used Boat	Purchases Dr. Parts + Access.	Sales Cr. New Boat	Sales Cr. Used Boat	Sales Cr. Parts + Access.	Sales Cr. Service	
			12,000	12,000							1.
								1,200			2.
			650			650			250	370	3.
					1,500		3,500				4.
400								1,400	100	350	5.
	150								200	70	6.
					750						7.
		13,000							220	300	8.
1,800					500		3,500				9.
									400	1,100	10.
											11.
											12.
											13.
											14.
											15.
											16.
											17.
											18.
											19.
											20.
											21.
2,200	150	13,000	12,650	12,000	2,750	650	7,000	2,600	1,170	2,196	22.

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COST SHEET KEY

Job No. 150 Date. February 11, 19—

For. 15 outboard motors To be completed by. March 10, 19—

Ordered For Stock

Direct Materials			Direct Labor		Summary	
Date	Req. No.	Amount	Date	Amount	Items	Amount
19—			19—			
Feb. 11	187	$ 350	Feb. 11	$ 50	Direct Materials	$1,400
12	232	420	12	65	Direct Labor	185
13	235	630	13	70	Factory Overhead (50% of Labor)	92.50
		$1,400		$185		$1,677.50

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JOURNALIZING THE ENTRIES THAT SUMMARIZE THE COST RECORDS (LO4) - KEY

General Journal — Page 2

Date	Account Title	PR	Debit	Credit
19—				
Jan. 31	Goods in Process		55,250	
	Direct Materials			55,250
31	Goods in Process		45,550	
	Direct Labor			45,550
31	Factory Overhead Expense		33,875	
	Depreciation Expense, Building			500
	Depreciation Expense, Equipment			2,500
	Factory Supplies Expense			3,550
	Heat, Light and Power			1,500
	Indirect Labor			18,000
	Insurance Expense, Factory			400
	Miscellaneous Manufacturing Expense			3,250
	Payroll Tax Expense, Factory			2,575
	Property Tax Expense, Factory			1,600
31	Goods in Process		34,162	
	Factory Overhead Expense Applied			34,162
31	Factory Overhead Expense		287	
	Income and Expense Summary			287
31	Finished Goods Inventory		150,500	
	Goods in Process			150,500

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STATEMENT OF COST OF GOODS MANUFACTURED KEY

Jade Company
Statement of Cost of Goods Manufactured
For Month Ended January 31, 19—

Direct Materials:		
Direct Materials Inventory January 1	$60,500	
Direct Materials Purchased	51,420	
Total Direct Materials Available		$111,920
Less Direct Materials Inventory January 31		58,750
Cost of Direct Materials Placed in Process		53,170
Direct Labor		45,550
Factory Overhead Applied		34,162
Total Cost of Goods Placed in Process		132,882
Add Goods in Process Inventory January 1		41,000
Total Cost of Goods in Process		173,882
Less Goods in Process Inventory January 31		45,275
Cost of Goods Manufactured		$128,607